

**LBO
WIRE**
Z Capital Burns Rubber on Maker of Hot Rod Parts

Hillary Canada

September 23, 2015

Z Capital Group is peeling out of its investment in car parts maker MSDP Group LLC.

Less than a year after shepherding the El Paso, Texas, company through a restructuring and executing an add-on deal, the firm has sold MSDP to **Holley Performance Products Inc.**, a portfolio company of Lincolnshire Management.

Z Capital Partners, the firm's private equity arm, is making 3.5 times its money on the sale, which values MSDP at about \$250 million, said a person with knowledge of the matter.

Lincolnshire's portfolio is the latest private equity pit stop for MSDP—at times known as MSD Ignition and MSD Performance. Gryphon Investors **acquired the company in April 2004** and **sold it almost exactly a year later to ValueAct Capital**, making 2.5 times its money in the process.

During its brief time in the Gryphon garage, MSDP, which makes ignition performance products such as performance coils, spark plug wires and fuel-injection systems, acquired Superchips Inc., a manufacturer of performance programmers and chips for late-model cars and trucks.

MSDP undertook a debt restructuring in 2009, after a series of acquisitions saddled it with debt. By 2013, still facing a liquidity crunch and unable to find a buyer, **it opted to file for chapter 11 protection and sell its assets**.

Using money from **Z Capital Partners** Special Situations Fund II LP, a \$750 million fund it closed in 2014, Z Capital started **buying up the company's debt**. In December 2013, the firm **acquired the business** and later brought in new management.

After Z Capital steered MSDP through a second prepackaged chapter 11 process, the company set its sights on an add-on deal: **Accel** Performance Group.

The two businesses had complementary product lines used in hot rods and other high-performance vehicles, but different distribution channels. MSDP was primarily selling through catalogs, online and at trade shows, where it would actually install products on-site. **Accel**, meanwhile, was selling its wares in big-box retailers such as **AutoZone**, Napa and O'Reilly. The tie-up allowed the companies to start selling their products to a more diverse set of buyers.

Bowling Green, Ky.-based Holley, whose carburetors are used throughout Nascar and the **National Hot Rod Association**, was a natural buyer for MSD, given that they both sell into the same markets.

Lincolnshire bought Holley, known then as **High Performance Industries Inc.**, in 2013 from **Monomoy Capital Partners** using capital from the New York firm's \$835 million fund, Lincolnshire Equity Fund IV LP.

Z Capital, with about \$2.3 billion of regulatory assets under management, has offices in Lake Forest, Ill., New York and Zurich.

<http://www.zcap.net>

<http://www.msdition.com>

<http://www.holley.com>

Write to Hillary Canada at hillary.canada@wsj.com

Document DJFLBO0120150923eb9nbnihy